

Joint Fiscal Office Update

Key Developments – May 19, 2020

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What follows is an update of key revenue and expenditure developments during the past week.

1. Revenue Developments

- a. **The updated forecast revision:** We received an informal “consensus” forecast on Tuesday, May 19. This forecast has been done by Jeff Carr and Tom Kavet and is a forecast for FY 2020, FY 2021, and FY 2022. It contains the first forecast out to FY 2022, which, while preliminary, will allow us to begin to think about how to address the FY 2021 shortfall. To some extent, the projection indicates a modest recovery in FY 2022, allowing the FY 2021 year to partly be addressed with one-time sources. Should the revenue downgrade take years to recover, the response will need to be more ongoing reductions.
- b. The latest forecast can be found with links below. **FY 2020/21/22 Revenues detail can be found at:** [Revenue Forecast May 19, 2020](#). **Simpler FY 2020/21 charts are available at:** [Summary FY20, FY21 and FY22 Revenue Forecast](#)
- c. **New forecast for FY 2020 includes the following changes:**
 - i. The May 19 forecast indicated, if deferred taxes are allocated to FY 2020 (the year they were due), the FY 2020 shortfalls from the January estimates are:
 1. General Fund down (\$46) million (not including lower prop transfer direct app)
 2. Education Fund down (\$55) million
 3. Transportation Fund down (\$42) million
- d. **FY 2021 revenues and beyond:** The estimated revenues for FY 2021 are substantially below those estimated for FY 2020, raising issues for the FY 2021 budget. The declines from forecasts made in January 2020 are in total down (\$374) million as compared to being down (\$427) million in the April 28th forecast. These estimates do not account for revenue loss due to nonpayment of local property taxes or State education property taxes, likely an added pressure.
 1. General Fund down (\$230.5) million
 2. Education Fund down (100.3) million
 3. Transportation Fund down (\$43.6) million
- e. **FY 2022 Revenues:** In FY 2022 estimated revenues are currently forecasted to modestly rebound. These forecasts are likely to be changed as better data are made available.

2. The Third Stimulus Bill – The CARES Act - Developments with Receipt of Funding

- a. **The CARES Act contained \$1.25 billion Coronavirus Relief Fund (CRF) monies for Vermont:** Four weeks ago, Vermont received its \$1.25 billion in funding from the Coronavirus Relief Fund. Since the monies' receipt, the State has received three Treasury guidance documents:
 - i. The Treasury guidance was received on 4/22: [Treasury Guidance CRF Funds](#).
 - ii. A frequently asked questions document also came on 4/22: [Treasury 4/22 CRF FAQ](#).
 - iii. A second frequently asked questions came this week on May 5: [Treasury 5/5 CRF FAQ](#)

- b. The Scott Administration issued its own guidance document on May 6: [May 6 Exec. Branch Guidance](#).
- c. Grant Status:
 - i. The Administration submitted the CRF grant to the Joint Fiscal Committee (JFC) on Sunday, May 3, for formal acceptance of the funds. It was discussed at the JFC meeting on Monday, May 4, and it was formally approved on May 5.
 - ii. Final approval documents can be found here: [JFC meeting materials 5/5](#)
 - iii. The Administration submitted a list of expenditures for committee approval, and these were discussed and approved on 5/11/20. The materials related to this discussion and approved expenditures can be found here: [JFC meeting materials 5/11](#).
 - iv. To date: \$72,434,763 has been spent in the first allocation that did not require JFC approval; \$93,839,494 was approved to be spent in the second category that requires preapproval. Another \$80 million is in various stages of the legislative process but not yet approved for expenditure. About \$1 billion is unappropriated and unspent.
 - v. The Joint Fiscal Office has a web document that links to various Vermont allocations of federal funding and will be updated. The link to that document can be found here: [Coronavirus Relief Fund Allocation Tracker](#)
 - vi. The administration submitted a proposal to the Joint Fiscal Committee on May 18 to fund a consulting firm to help with federal expenditure tracking. It will likely be one used by other states, with expertise in tracking federal expenditures and assisting states with reporting and expense eligibility determinations. As of this writing, there are two finalists for the contract. The Administration hopes to have it awarded in the next week. The materials related to this submission are available at: [Administration proposal May 18](#)

3. Other Federal Funds coming to Vermont:

- a. The federal funds that Vermont is receiving continue to change. This week we received information that the money estimated for Community Services Block Grant for CAPS dropped to \$1.37 million as compared to early estimates of up to \$5.14 million. The family violence grant dropped from \$192,000 to \$146,000. We did receive an estimated \$55 million for testing and new grants for the U.S. Department of Labor for short-term compensation of \$183,000 and HUD CDBG round 2 of \$2.02 million. A full list of federal resources allocated to date is available here: [Federal COVID-19 funding as of 5/15/2020](#). The Administration has a similar document that is available here: [Administration COVID Grant Tracker 5-11-2020](#).

4. Further Federal Response and Stimulus Bills

Further federal response is not certain. It might be June before we see it. The approach to this uncertainty will be to draft bills with the ability to take advantage of added resources or flexibility if it occurs.

5. General Budget Bills/Appropriations Timeline

- a. H.953, the FY 2020 supplemental budget adjustment bill, has passed second reading and will be taken up by the House again on Wednesday, May 20.
Here is a link to H.953, the FY 2020 Budget Adjustment bill: [H.953 FY 2020 BAA](#)
A highlights document is available here: [House Supplemental BAA highlights document](#)

- b. An FY 2021 first-quarter appropriations bill — a three-month bill — is also being considered, and full development will start up later this week. This bill is now being referred to as the “Little Bill” and will contain the authorities and appropriations needed to begin the fiscal year in July and provide limited spending authority until a traditional appropriation “Big Bill” for FY21 is developed in August/September. The “Little Bill” has been assigned draft number 20-0973. The Administration’s guidance for this bill is at: [Instructions to departments for 1st quarter bill](#)

6. State Colleges Finances

- a. At the request of Legislative leadership and the Administration, the Joint Fiscal Office contracted with a consultant to provide an independent financial assessment of the Vermont State Colleges System. The contractor, James Page, is a former chancellor of the University of Maine System. He will provide his assessments in early June.
- b. The State Treasurer is also reviewing State Colleges finances and is focusing on a preliminary review of the financial situation of the system to guide further action. She and the consultant are working to divide responsibilities and minimize overlap.

7. Broadband

- a. Based on several Legislative requests, the Joint Fiscal Office is contracting for a consultant to look at opportunities to use CRF funding for broadband-related investments. The federal guidance specifically indicates that facilitating remote work, telemedicine, and school-related distance learning are eligible uses. Given that the funds need to be expended by December 30, the specific uses are potentially limited. We hope to have a contract in place in a few days.

8. Unemployment Insurance Claims

- a. Initial unemployment insurance claims declined to 2,805 for the week ending May 9, down from 3,875 the previous week. The Vermont Department of Labor paid unemployment benefits to 50,599 Vermonters during the week ending May 9. That number is down from 51,912 benefits paid during the week ending May 2.
- b. Pandemic Unemployment Assistance (PUA) Payment Update for self-employed workers: PUA claimants who received benefits for the weeks of March 15 and/or March 22 and had filed those claims prior to May 1 received the extra federal \$600 in error. The federal \$600 benefit did not go into effect until the benefit week of March 29. This error required the Department to stop issuing PUA benefits until the system’s payment calculation process was corrected and payments were reconciled. Benefits for the week of April 26 and/or May 3 will be offset to ensure accurate benefit amounts to claimants. In most cases, one whole benefit week will be withheld, and the second week will be a partial payment. If claimants filed and received benefits only for March 22, then only \$600 will be offset. Claimants who did not receive the minimum \$191 due to the calculation error will be made whole in future benefit payments. The calculation error does not affect anyone who filed after May 1. PUA payments resumed on May 13.
- c. An updated chart showing the history of initial unemployment insurance claims is available at: <https://lifo.vermont.gov/assets/Subjects/Economic-Impacts-on-Vermont/7f93c50512/UI-VT-history-9may.pdf>.